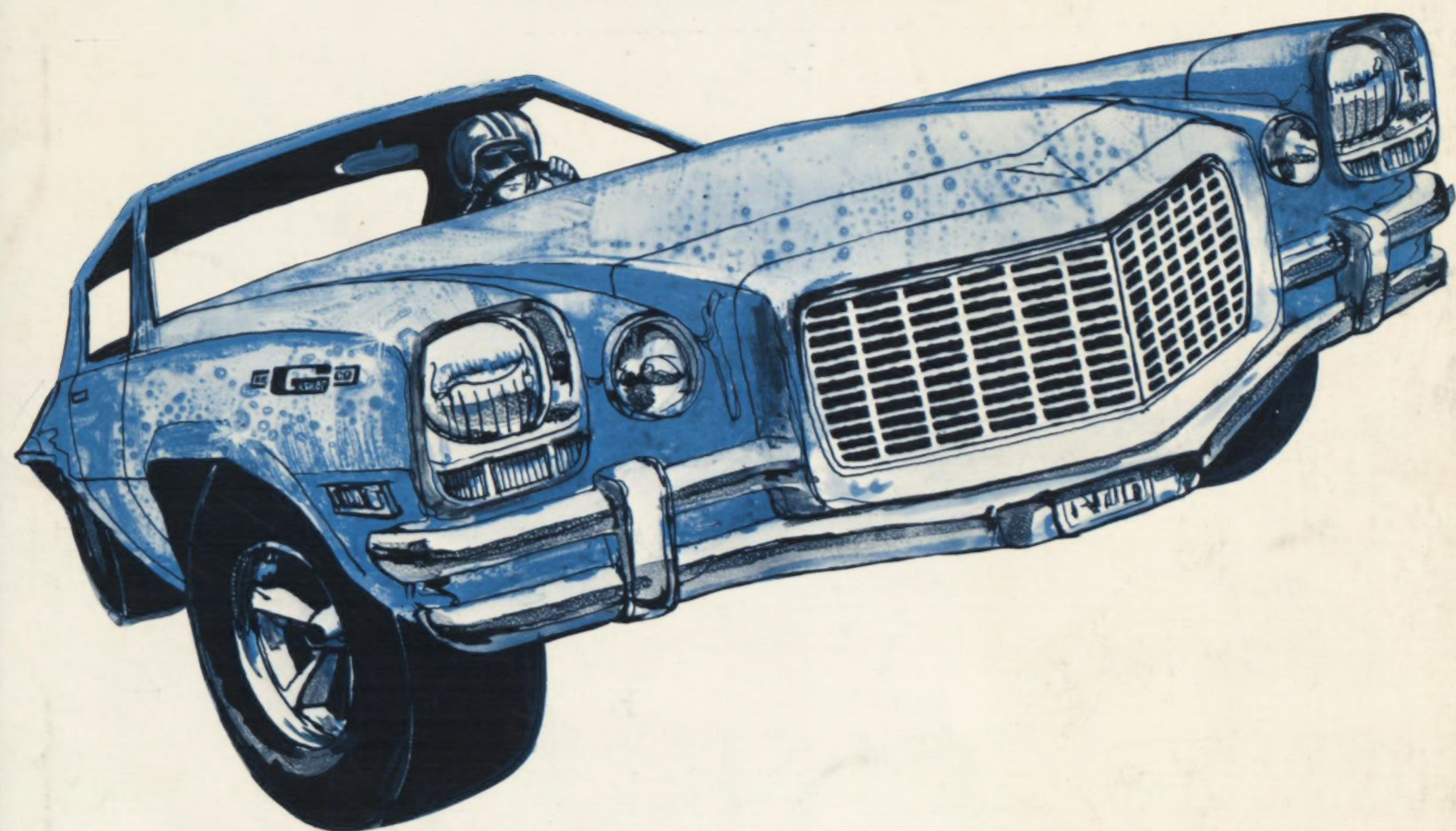


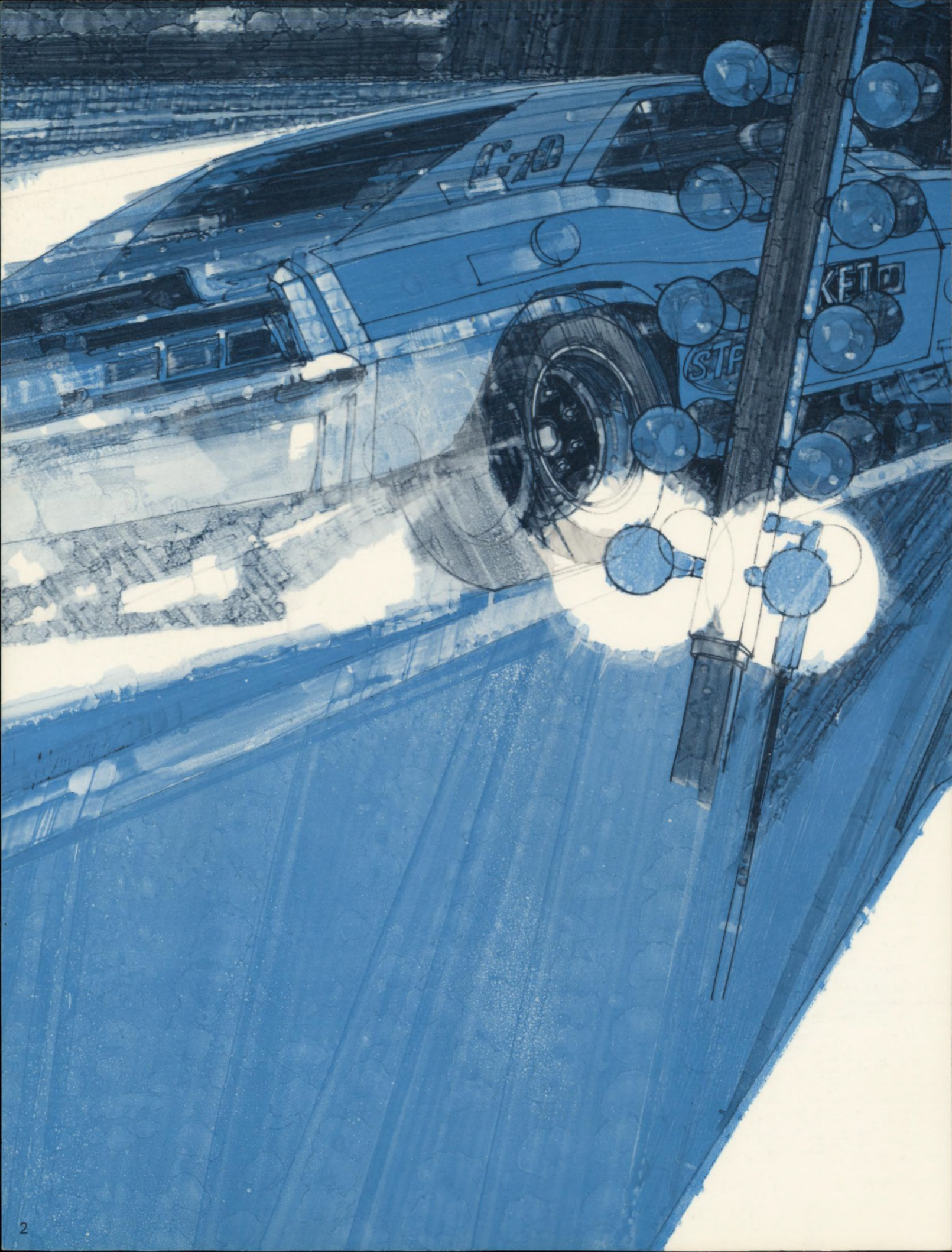
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CORPORATION FILE



1970 ANNUAL REPORT





DIRECTORS AND OFFICERS

Joseph F. Hrudka
President and Director

Thomas R. Hrudka
Executive Vice President and Director

Dennis L. Holding
Vice President Marketing and Director

Howard B. Gardner
Secretary Treasurer and Director

Edmund L. Fochtman, Jr.
Vice President Finance

Gordon E. Merrifield
Vice President Advertising and Sales Promotion

James R. Browning
Vice President Administrative Services

Sam I. Gellner
Vice President Engineering

Gilbert E. Travis
Vice President Purchasing

John L. Price
Controller

ATTORNEY

Baker-Hostetler & Patterson

TRANSFER AGENT & REGISTRAR

Cleveland Trust Co.

FINANCIAL HIGHLIGHTS

	1970	1969	Increase
Net sales	\$5,877,330	\$3,003,220	95.7%
Income before taxes	1,039,433	766,661	35.6%
Taxes	538,000	391,500	37.4%
Net income	501,433	375,161	33.6%
Net income per share	.85	.72	18.1%
Average shares outstanding	589,976	518,182	13.9%
Shareholders' equity	2,625,102	515,329	409%
Net working capital	2,026,792	400,217	406%
Total assets	3,970,226	1,276,564	211%



1970 ANNUAL REPORT

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High Performance Products	Page 7
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TO THE SHAREHOLDERS

The past year has been extremely productive for Mr. Gasket Co. We have increased our Cleveland manufacturing facility to 75,000 square feet and we were pleased to offer our company stock to the public for the first time on December 11, 1969. In January, 1970, our company added several major products to our line, including shifters, shocks, and wheels. With the addition of these products, Mr. Gasket has now created one of the broadest product lines in the entire industry.

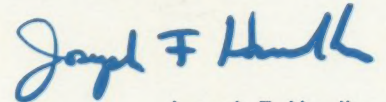
Our sales for the fiscal year ending May 31, 1970 were \$5,877,330 vs. \$3,003,220 the previous year. Earnings increased to \$501,433 vs. \$375,161 last year and earnings per share were \$.85 this year on a weighted average of 589,976 shares vs. \$.72 last year on a weighted average of 518,182 shares.

Our company is encouraged by the future outlook of the Hi-Performance market, not only because of an exceptional growth record and immunity to minor recessions, but because of the acceptance of the Mr. Gasket name as being synonymous with quality and dependability throughout the industry. This acceptance has further encouraged us to add products to our line and to expand our facilities.

We have recently expanded the Cleveland facilities by 14,000 square feet in addition to signing a lease in Los Angeles on a new building to house our DuCoil Ignition Division. DuCoil, which manufactures Hi-Performance distributors and incorporates a complete line of ignition parts, was acquired for cash this past July.

Adjacent to the DuCoil facility in Los Angeles, we will open a warehouse to service the eleven Western states. This warehouse will stock our complete line of 1,200 products. We are confident this improved service will significantly increase our sales in this area.

Our strength is our product reputation and management team. Our potential is an exciting growth industry. Our people know the industry. They are attuned to the youth market and its demand for Hi-Performance products. We intend to continue to meet this demand and hope you will continue to enjoy with us the exciting and rewarding years ahead.

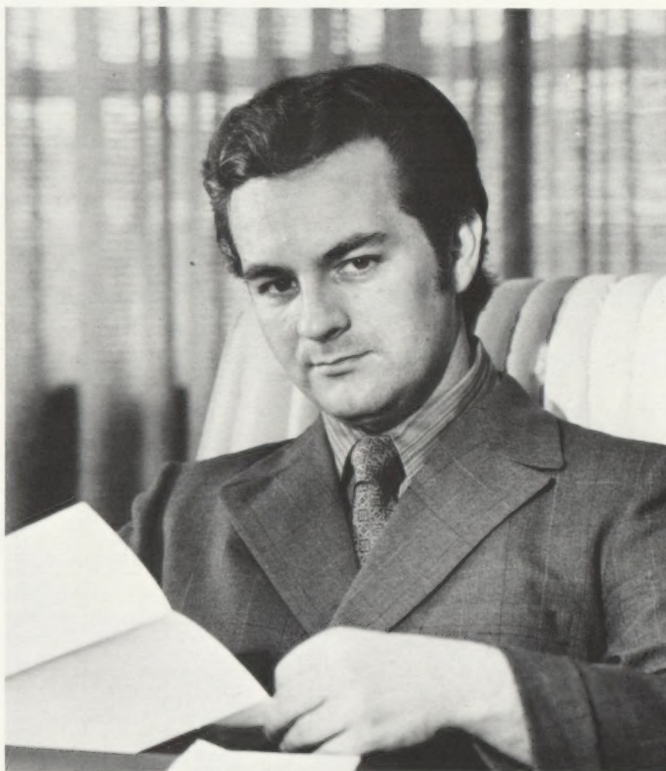


Joseph F. Hrudka
President

DIRECTORS AND OFFICERS



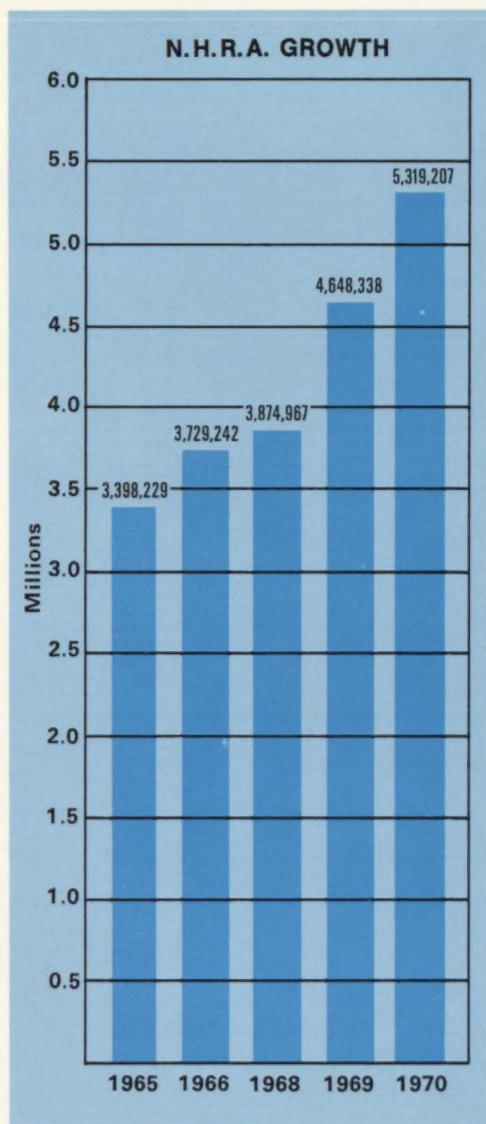
Dennis L. Holding
Vice President, Marketing and Director



Joseph F. Hrudka
President and Director



Thomas R. Hrudka
Executive Vice President and Director



THE MARKET

Who makes up the Hi-Performance market? How about the 40 year old executive who drives to work each day in a 500 cubic inch displacement Cadillac or the 30 year old father who owns a Firebird, Javelin or Camaro. Look at the housewife who hauls the family groceries in a Torino, Barracuda, or Mustang. Every one of them has been influenced to a certain extent by the Hi-Performance image. The owner of the average automobile will purchase in his life a precision tune-up, heavy duty shock absorbers, belted bias tires and maybe, with the purchase of a new car, a floor shift, special exterior trim or striping, and mag-type wheels. The Hi-Performance image is here—NOW—and millions upon millions of Americans are a part of that image.

Hi-Performance may be broken down into two different areas. Approximately 15% are the race element—professionals and non-professionals such as Mario Andretti, Cale Yarabrough, Don Nicholson and others who may only take to the race track on a Sunday afternoon. The remaining 85% are those who only want to look like race drivers. A good illustration would be the Indy 500. Thirty-three race cars on the track and 350,000 spectators, all of whom are potential Hi-Performance customers.

The charts on this page represent only one area of auto racing. The growth pattern indicates a tremendous surge of spectator attendance at the race track. This same group of people will purchase performance and cosmetic products for their own automobile that will allow them to closely simulate in appearance the actual race car on the track. In the truest sense, this is what America's love of the automobile is all about.

Manufacturing facilities for the rapidly expanding Hi-Performance product lines have, out of necessity, grown in direct relation to the growth of the market. Systems of distribution have, in a short period of time, become sophisticated and stable. Advertising and promotion have graduated to high professional levels with new creative thinking, a necessity to pre-sell Hi-Performance products.

Some might say Hi-Performance is a state of mind. If so, the market and the industry have only started to grow.

TOTAL SPECTATOR ATTENDANCE FOR 1969 N.H.R.A. SANCTIONED EVENTS TOALED MORE THAN 5,000,000. CONTESTANT ENTRIES FOR 1969 WERE 524,123.

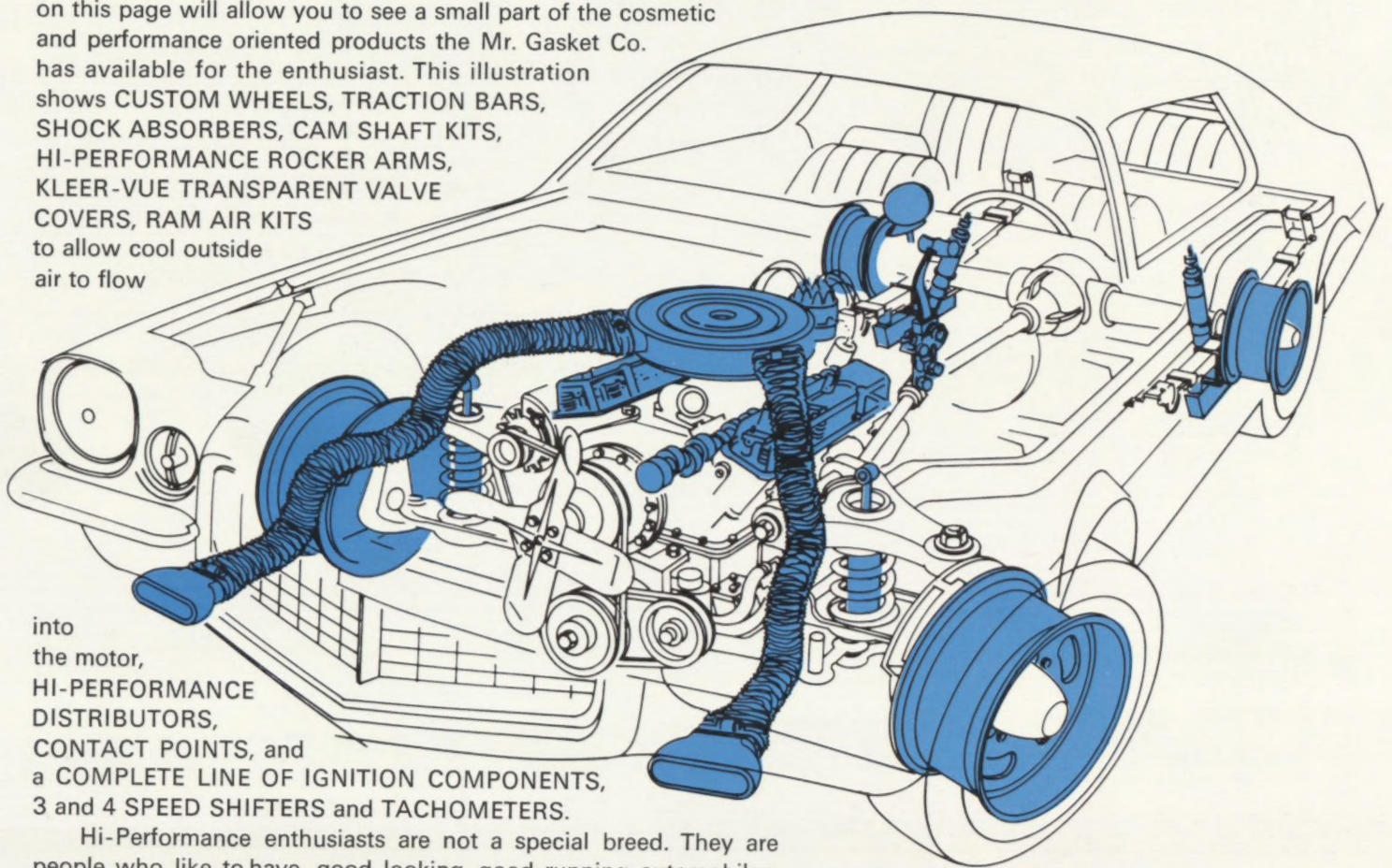
TOTAL ATTENDANCE FOR ALL TYPES OF AUTOMOBILES RACING FOR THE YEAR 1969 REACHED ALMOST 50,000,000 PEOPLE.

HI-PERFORMANCE PRODUCTS

The average American will buy some type of Hi-Performance part or parts for the family sedan at least once during his life. Why will this average family man endow the family car with such aggressive equipment? The answer is actually quite simple. As an example, take the ignition system of any car. The most frequently replaced component of an automobile's ignition system are the contact points. The contact points are subject to more wear and punishment than any other component in an ignition system and therefore require replacement more frequently.

Mechanics often select heavy duty, Hi-Performance contact points to allow the owner to drive about twice the miles before replacement is required.

Thousands upon thousands of automobile enthusiasts have the same attitude when it comes to building, beautifying, or just plain improving the performance of their own automobiles. The illustration on this page will allow you to see a small part of the cosmetic and performance oriented products the Mr. Gasket Co. has available for the enthusiast. This illustration shows CUSTOM WHEELS, TRACTION BARS, SHOCK ABSORBERS, CAM SHAFT KITS, HI-PERFORMANCE ROCKER ARMS, KLEER-VUE TRANSPARENT VALVE COVERS, RAM AIR KITS to allow cool outside air to flow



into the motor, HI-PERFORMANCE DISTRIBUTORS, CONTACT POINTS, and a COMPLETE LINE OF IGNITION COMPONENTS, 3 and 4 SPEED SHIFTERS and TACHOMETERS.

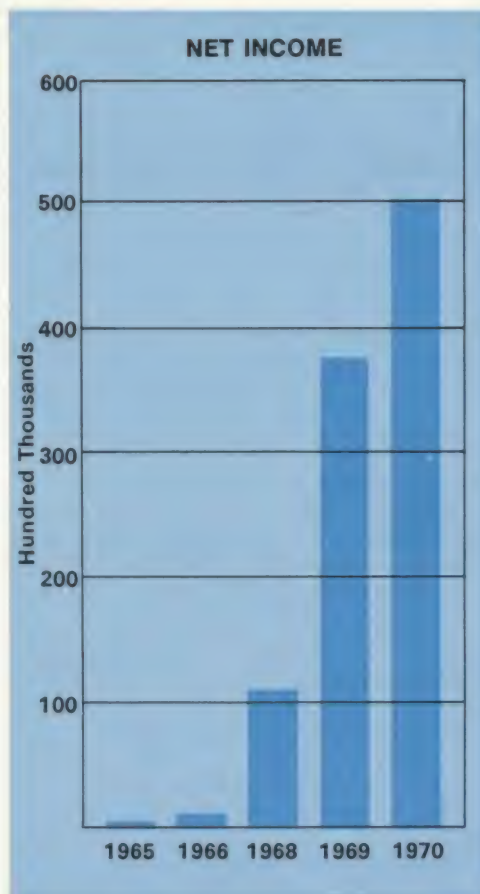
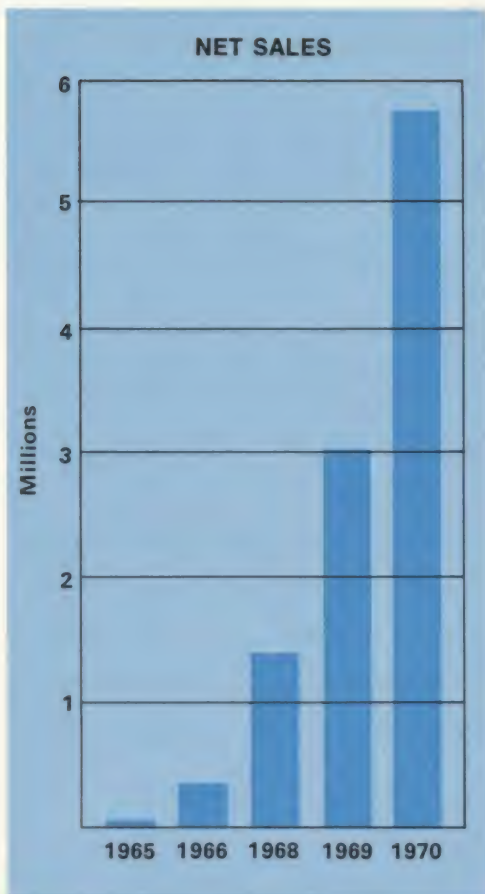
Hi-Performance enthusiasts are not a special breed. They are people who like to have good looking, good running automobiles. They are people who take pride in and care of the car they drive. Mr. Gasket Co. has available over 1,200 different products to meet the needs and demands of the automobile enthusiast. Mr. Gasket Co. products are second to none for dependability and quality.

MR. GASKET CO. AND SUBSIDIARIES

FIVE YEAR FINANCIAL REVIEW

	<u>May 31</u>			<u>December 31</u>	
	<u>1970</u>	<u>1969</u>	<u>1968</u>	<u>1966</u>	<u>1965</u>
Net sales	\$5,877,330	\$3,003,220	\$1,366,064	\$302,509	\$77,970
% increase	95.7%	119.8%	351.6%	288.0%	
Income before taxes	1,039,433	766,661	214,019	19,229	3,929
Net income	501,433	375,161	117,519	14,829	3,029
Net income per share85	.72	.23	.03	.01
Net income as a % of sales	8.5%	12.5%	8.6%	4.9%	3.9%
Shareholders' equity	2,625,102	515,329			
Net working capital	2,026,792	400,217			
Total assets	3,970,226	1,276,564			





MR. GASKET CO. AND SUSIDIARIES

CONSOLIDATED BALANCE SHEET

ASSETS	MAY 31,	
	1970	1969
CURRENT ASSETS		
Cash	\$ 174,728	\$ 238,326
Trade accounts and notes receivable, less allowance for doubtful accounts of \$30,000 (1969—\$2,000)	1,474,263	587,475
Inventories (principally work in process), at the lower of cost (first-in, first-out method) or market	1,709,549	328,332
Prepaid expenses	13,376	7,319
TOTAL CURRENT ASSETS	3,371,916	1,161,452
EQUIPMENT—on the basis of cost		
Machinery and equipment	670,911	112,577
Automobiles and trucks	7,427	22,075
Furniture and fixtures	39,279	12,318
Leasehold improvements	11,255	—0—
	<u>728,872</u>	<u>146,970</u>
Less allowance for depreciation	149,472	38,456
	<u>579,400</u>	<u>108,514</u>
OTHER ASSETS	18,910	6,598
	<u><u>\$3,970,226</u></u>	<u><u>\$1,276,564</u></u>

MR. GASKET CO. AND SUBSIDIARIES

LIABILITIES AND SHAREHOLDERS' EQUITY	MAY 31,	
	1970	1969
CURRENT LIABILITIES		
Notes payable:		
To bank	\$ 300,000	\$ 100,000
To others	40,275	31,471
Accounts payable and accrued expenses	821,133	224,714
Employee compensation and related payroll taxes	34,885	17,419
Federal income taxes	148,831	387,631
TOTAL CURRENT LIABILITIES	1,345,124	761,235
SHAREHOLDERS' EQUITY		
Capital Stock—Notes B and C		
Serial Preferred Stock:		
Authorized 100,000 shares; none issued		
Common Shares, stated value \$0.10 per share:		
Authorized 1,500,000 shares		
Outstanding 669,091 shares (after deducting 5,091 shares in treasury)	66,909	51,818
Additional paid-in capital	1,611,173	11,182
Retained earnings	947,020	452,329
	2,625,102	515,329
LEASE COMMITMENTS—NOTE D		
	<u>\$3,970,226</u>	<u>\$1,276,564</u>

See notes to consolidated financial statements.

STATEMENT OF CONSOLIDATED INCOME

	YEAR ENDED MAY 31	
	1970	1969
NET SALES	\$5,877,330	\$3,003,220
Costs and expenses:		
Cost of goods sold	3,621,099	1,682,019
Selling, general and administrative expenses	1,076,222	524,330
Depreciation (principally declining balance)	122,755	24,031
Interest expense—net	17,821	6,179
	<u>4,837,897</u>	<u>2,236,559</u>
Income before income taxes	1,039,433	766,661
Federal income taxes	538,000	391,500
NET INCOME	<u>\$ 501,433</u>	<u>\$ 375,161</u>
Net income per common and common equivalent share—computed on average shares outstanding	<u>\$.85</u>	<u>\$.72</u>

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

	YEAR ENDED MAY 31, 1970
SOURCE OF FUNDS	
From operations:	
Net income	\$ 501,433
Depreciation	122,755
	<u>624,188</u>
Net proceeds from sale of common shares	1,658,901
	<u>\$2,283,089</u>
APPLICATION OF FUNDS	
Purchase of equipment, net of normal retirements	\$ 593,641
Increase in other assets	12,312
Purchase of treasury stock	43,819
Dividends paid	6,742
	<u>656,514</u>
Increase in working capital—see schedule below	1,626,575
	<u>\$2,283,089</u>
Current assets	\$3,371,916
Current liabilities	1,345,124
Working capital—end of year	2,026,792
Working capital—beginning of year	400,217
	<u>\$1,626,575</u>

See notes to consolidated financial statements.

MR. GASKET CO. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	COMMON SHARES	STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
Balance at June 1, 1968	400	\$10,000	\$ 10,000	\$107,208	\$ 127,208
Retroactive changes in shareholders' equity:					
Stock split and change in stated value per share on July 30, 1969	499,600	40,000	(10,000)	(30,000)	—0—
Acquisition of businesses in 1969 accounted for as poolings of interest— Note A	18,182	1,818	11,182		13,000
Balance at June 1, 1968, after adjustments for retroactive changes in shareholders' equity	518,182	51,818	11,182	77,208	140,208
Net income for 1969				375,161	375,161
Cash dividends paid				(40)	(40)
Balance at May 31, 1969	518,182	51,818	11,182	452,329	515,329
Proceeds from sale of common stock, less related expenses of \$214,199	156,000	15,600	1,643,301		1,658,901
Net income for 1970				501,433	501,433
Purchase of 5,091 shares for the treasury	(5,091)	(509)	(43,310)		(43,819)
Cash dividends paid—\$.01 per share				(6,742)	(6,742)
Balance at May 31, 1970	<u>669,091</u>	<u>\$66,909</u>	<u>\$1,611,173</u>	<u>\$947,020</u>	<u>\$2,625,102</u>

See notes to consolidated financial statements.

MR. GASKET CO. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended May 31, 1970

NOTE A—PRINCIPLES OF CONSOLIDATION

In August, 1969, the Company acquired SRD Company and Mr. Gasket Manufacturing Co. (each of which was owned 72% by Mr. Hrudka, President of Mr. Gasket Company) in exchange for 18,182 Common Shares of the Company. These acquisitions were accounted for as poolings of interests and are included for

both years in the consolidated financial statements. All significant inter-company transactions have been eliminated in the accompanying financial statements. As of June 1, 1970, the two subsidiaries were merged into the parent Company.

NOTE B—EMPLOYEE STOCK OPTION PLAN AND STOCK BONUS PLAN

On June 27, 1969, the Board of Directors adopted and the shareholders approved a Qualified Stock Option Plan. Under the Plan, options to purchase 30,000 Common Shares may be granted to salaried employees of the Company at prices not less than 100% of the fair market value at the date of grant. Options will become exercisable six months after the date of grant, in five cumulative annual installments, and must be exercised not later than five years from the date of grant while the holder is in the employ of the Company with stated exceptions. Under certain conditions, the Company has the right to repurchase shares issued under the

Plan. During the year, an option to purchase 3,000 shares was granted at \$16.50 per share.

There is also in effect, an Incentive Stock Bonus Plan. A committee administers this Plan and may issue Common Shares to the employees under this Plan as it sees fit. Shares issued under the Plan must be offered for resale to the Company when an employee terminates his employment. There are currently available 30,000 shares for purposes of this Plan. No shares have been issued under this Plan.

NOTE C—COMMON STOCK

In connection with the sale of its common stock to the public, the Company sold 10,000 warrants for \$100 to the managing underwriter. The warrants become exercisable in November, 1970,

and expire in December of 1974. The selling price under the warrants is \$12.00 per share during November of 1970 and increases annually to \$15.36 in the last year.

NOTE D—LEASE COMMITMENTS

The Company and its subsidiaries lease space from Hrudka Realty Company, which is owned by the President of Mr. Gasket Co. and his family. The realty company is currently making additions to the buildings occupied by the Company and its subsidiaries that will increase their floor space from 61,000 to approximately

75,000 square feet. Upon completion of the additional space, a new lease will be negotiated.

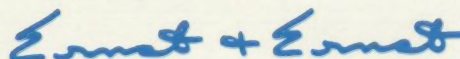
Under the existing lease, rent expense amounted to \$66,450 for the year, and will be \$78,000 per year thru July 31, 1974 before giving effect to the additional space described above.

ACCOUNTANTS' REPORT

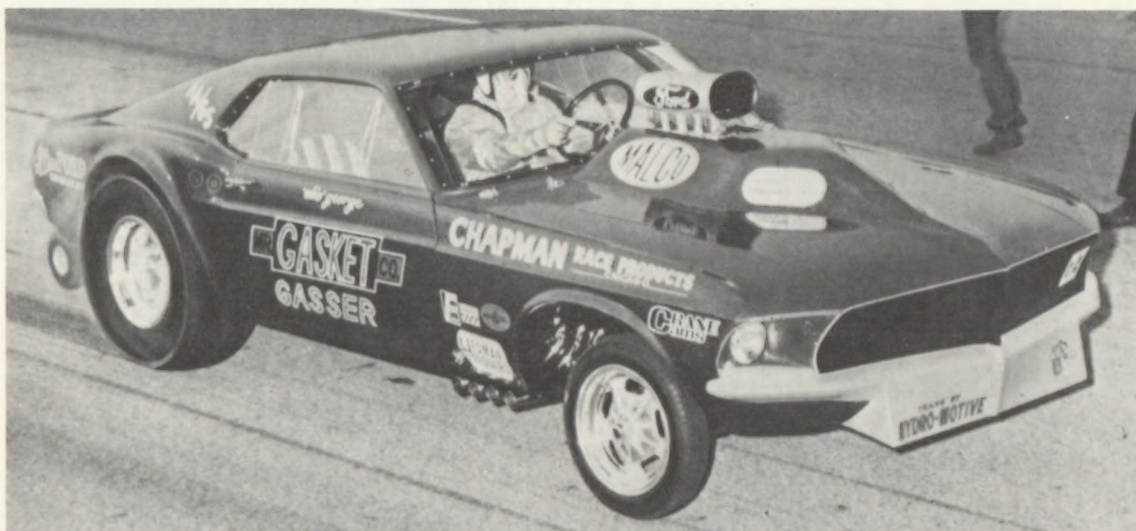
Board of Directors
Mr. Gasket Co.
Cleveland, Ohio

We have examined the consolidated financial statements of Mr. Gasket Co. and subsidiaries for the year ended May 31, 1970. Our examination was made in accordance with generally accepted auditing standards, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously made a similar examination of the financial statements for the preceding year.

In our opinion, the accompanying balance sheet and statements of income, shareholders' equity and source and application of funds present fairly the consolidated financial position of Mr. Gasket Co. and subsidiaries at May 31, 1970, and the consolidated results of their operations, changes in shareholders' equity and source and application of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with the preceding year.



Cleveland, Ohio
July 22, 1970



"Ohio George" Montgomery and the Mr. Gasket Co. "Gasser"

A native of Dayton, Ohio, George Montgomery has been drag racing since the early 1950's. "Ohio George" owns and drives the 1969 Mach I Mustang pictured above. The car is powered by a super-charged fuel injected 427 cu. in. Ford motor rated at 1300 H.P. This car holds the current national record for N.H.R.A. AA/GS class racing at 8.59 seconds through the quarter mile. George Montgomery uses various Mr. Gasket products and is a constantly rolling test laboratory for new product development and promotion of those products.

"Dyno" Don Nicholson and the Mr. Gasket Pro-Stocker

Born in Springfield, Missouri, Don Nicholson moved to Pasadena, California, and attended Pasadena City College. At about the same time "Dyno" Don started driving competitively at various drag strips in California. "Dyno" was a nickname his fellow racers bestowed upon Don due to his expertise in Dynamometer tuning of his race cars. Don Nicholson currently holds the A.H.R.A. professional stock car record with an E.T. of 9.88 seconds through the quarter mile. He has averaged an 85% win record for the last 8 years of professional competition. "Dyno" Don's pro-stock Maverick is also a rolling test lab for Mr. Gasket Hi-Performance products.





4566 SPRING ROAD / CLEVELAND, OHIO 44131